



On behalf of the Asian Real Estate Association of America (AREAA), I applaud you for your leadership in promoting more affordable housing and equal access to homeownership for low- and moderate-income and minority families.

AREAA is dedicated to closing the homeownership gap facing the Asian and Pacific American (APA) community. Currently, Asian American homeownership level is approximately 60%, which is about 15% points below that of non-minority community. AREAA members are real estate and mortgage practitioners focused on serving the growing base of Asian American and immigrant homebuyers. Currently, we have over 6,000 members in nearly 30 States.

The housing GSEs play a critical role in providing liquidity, stability and affordability to the housing market. It is also important to recognize that the GSEs receive a set of special benefits that they derive from their Congressional status, and therefore, more is expected of those enterprises compared to other financial institutions. Indeed, AREAA firmly believes that the GSEs should lead the industry in creating innovative lending products and offerings to better support the growing first-time buyers as well as the burdening number of minority and immigrant families that are reshaping this country's cities and towns. Additionally, there is a tremendous need for the GSEs to find new and better ways to serve consumers that are faced with interest rates resets and ballooning mortgage payments. GSEs must take a leadership role in creating sustainable solutions for these growing number of borrowers faced with dire economic situations.

Over the past several years, there have been a significant debate and discussions about the appropriate oversight powers of the GSE regulator. We believe that it is critical that the legislation help to restore market confidence and create a safety and soundness regime worthy of the important role that the housing GSEs play in the real estate market. Additionally, we believe that need for affordable housing is great in this country and we must enhance some of the affordable housing mandates without damaging the agencies' underlying economic viability.

As Congress considers various proposals to retool the GSE regulatory regime, we must ensure that the underlying strength of the housing system is not compromised. As Congress takes actions related to the GSE safety and soundness enhancements, we need to ensure that the GSE capital requirements are consistent with the risk they are taking as an institution but without creating unnecessary burden on the capital structure.

Not enough capital can undermine market confidence and long-term viability of the institutions; however, excessive capital levels that stifle innovation in lending for low-income as well as minority and immigrant families will be counter to their mission. Under the context of a strong regulatory regime, the GSEs should have sufficient business and operational flexibilities to prudently deploy their resources in support of affordable housing and mission whether through their retained portfolio or guarantee business.

Loan Limits

Because a high percentage of APA community live and work in high cost areas, AREAA supports increasing the conforming loan limits for the GSEs. By increasing the loan limits in those areas, APA housing consumers will be able to obtain a lower interest rate on their loans and, therefore, increase their ability to purchase a home. In high cost states, such as California where only 14 percent of homes are affordable to average income families, even a small reduction in the interest rate can be significant and will help more APA families obtain their dream of homeownership.

Affordable Housing Fund and Foreclosure Prevention

Since the GSEs and FHLBanks have a special status and benefits that they derive from their Congressional charters, AREAA believes that there is an added responsibility on these institutions to do more for minority and first-time homebuyers than what would be expected from other financial institutions. AREAA supports the idea of the Housing Trust fund and believe that one of the eligible activities of the fund should be to help minority and first-time homebuyers through innovative programs. We believe that these funds could be managed by the GSEs (as it is the case with the FHLBanks) or through a national intermediary that can disperse these funds to local nonprofits, affordable housing providers, local governments and other institutions focused on sustained homeownership and affordable housing developments. Additionally, AREAA supports the Congressman Frank and Senator Reed's proposal to require significant percent of their profits to go towards these important affordable housing activities.

Additionally, AREAA supports a set-aside for loss mitigation and foreclosure prevention activities from the fund. Foreclosures are becoming a wide-spread concern among policy makers, advocates and industry players alike. Unfortunately, there are limited public and private resources dedicated to curb delinquency and foreclosure. Given the proliferation of aggressive mortgage products over the past several years and the slow-down in the real estate market, AREAA is concerned that marginal borrowers, particularly minority and first-time homebuyers, will be disproportionately impacted by these issues. The progress this country has made towards increasing minority homeownership over the past ten years will materially erode unless we take strong action. This fund can be one important solution to this problem.

Stronger Statutory Goals for GSEs

AREAA supports the reformulation the GSE's statutory underserved goal to reflect added focus on minority homeownership needs, first-time buyers, and to promote increased GSE activities in markets with significant high-cost lending activities. These changes will create greater incentives for the GSEs to take even more of a leadership role in lending to minorities and to promote lending innovations, such as automation of alternative credit products. Additionally, AREAA believes that there should be consistent treatment of affordable housing obligations between the two housing GSEs and the Federal Home Loan Banks where possible.

AREAA and its members are prepared to work with you to create a stronger GSE regulatory regime and to promote greater affordable housing obligations on part of these important enterprises. I thank you for your consideration of our views.

Sincerely,

Jim J. Park
President and CEO
areaa.org

